

## Message Text

LIMITED OFFICIAL USE

PAGE 01 ROME 00358 101330Z

43

ACTION EB-11

INFO OCT-01 EUR-25 EA-11 ISO-00 SPC-03 AID-20 NSC-10

RSC-01 CIEP-02 TRSE-00 SS-20 STR-08 OMB-01 CEA-02

CIAE-00 COME-00 FRB-02 INR-10 NSAE-00 XMB-07 OPIC-12

LAB-06 SIL-01 L-03 H-03 PA-04 PRS-01 USIA-15 ABF-01

FS-01 DRC-01 /182 W

----- 063103

P R 101230Z JAN 74

FM AMEMBASSY ROME

TO SECSTATE WASHDC PRIORITY 2630

INFO AMEMBASSY BERN

AMEMBASSY BONN

AMEMBASSY BRUSSELS

USMISSION EC BRUSSELS

AMEMBASSY THE HAGUE

AMEMBASSY LONDON

AMCONSUL MILAN

AMCONSUL NAPLES

AMEMBASSY OTTAWA

AMEMBASSY PARIS

USMISSION OECD PARIS

AMEMBASSY STOCKHOLM

AMEMBASSY TOKYO

LIMITED OFFICIAL USE ROME 0358

E.O. 11652: N/A

TAGS: EFIN, IT

SUBJECT: ITALIAN EXCHANGE MARKET DEVELOPMENTS

REF: ROME 14183

1. SUMMARY. COMMERCIAL LIRA DEPRECIATED AGAINST DOLLAR  
ON JANUARY 8 TO RECORD LEVEL OF 639 LIRE PER DOLLAR. BALANCE OF  
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 ROME 00358 101330Z

PAYMENTS DEFICIT THROUGH DECEMBER 15 WAS \$1,227 MILLION, OR \$4,710

MILLION NET OF COMPENSATORY BORROWING. BOI OFFICIAL SPECULATED THAT ON JANUARY 9 NEW YORK FED INTERVENED HEAVILY ON BEHALF OF BUNDESBANK TO SUPPORT DM AGAINST DOLLAR. END SUMMARY.

2. COMMERCIAL LIRA REACHED MOST DEPRECIATED POINT EVER AGAINST DOLLAR ON JANUARY 8, WITH AVERAGE OF ROME AND MILAN RATE OF 638.55 LIRE PER DOLLAR. THIS COMPARES WITH PRE-SMITHSONIAN LOWER LIMIT OF 629 LIRE PER DOLLAR AND LOW IN 1973 OF 627.00 LIRE PER DOLLAR. ON JANUARY 9 FINANCIAL LIRA REACHED LOWEST POINT SINCE CREATION OF DUAL MARKET IN JANUARY 1973 AT 645.80 LIRE PER DOLLAR, COMPARED TO 1973 LOW POINT OF 635.125 LIRE. WEIGHTED AVERAGE DEVALUATION OF LIRA AGAINST ALL CURRENCIES SINCE FEBRUARY 1973 SECOND DOLLAR DEVALUATION WAS 13.56 PERCENT ON JANUARY 9.

3. THROUGH DECEMBER 15, OVERALL BALANCE OF PAYMENTS DEFICIT AMOUNTED TO \$1,227 MILLION AND ADJUSTED DEFICIT (EXCLUDING COMPENSATORY EUROMARKET TERM LOANS OF \$3,483 MILLION AS OF THAT DATE) TOTALLED \$4,710 MILLION. LATER IN MONTH ENTIRE PROCEEDS OF \$1 BILLION FROM CCOP EUROLOAN WERE RECEIVED. (PROCEEDS OF \$100 MILLION FOR MESSINA-PALERMO-CATANIA AUTOSTRADA LOAN NOT RECEIVED IN DECEMBER AS HAD PREVIOUSLY BEEN EXPECTED.) BY MID-DECEMBER NET OFFICIAL ASSETS DECLINED BY \$265 MILLION WHILE NET FOREIGN POSITION OF COMMERCIAL BANKS HAD WORSENER BY \$962 MILLION. BOI RESEARCH OFFICE PRELIMINARY ESTIMATE OF ITALIAN CURRENT ACCOUNT DEFICIT IN 1973 ON "ECONOMIC" BOP BASIS WAS DEFICIT OF \$2,786 MILLION.

4. HEAD OF BANK OF ITALY FOREIGN EXCHANGE OPERATIONS, ERCOLANI, TOLD EMBOFFS JANUARY 9 THAT SHARP APPRECIATION OF DM AGAINST DOLLAR ON JANUARY 9 WAS BEING ATTRIBUTED IN EXCHANGE MARKET TO HEAVY INTERVENTION BY NEW YORK FED IN COOPERATION WITH BUNDESBANK. CONCLUSION REACHED ON GROUNDS THAT SMALL AMOUNT OF INTERVENTION BY BUNDESBANK COULD NOT HAVE BROUGHT ABOUT SUCH A LARGE APPRECIATION OF DM. THERE WERE RUMORS IN EXCHANGE MARKET THAT INTERVENTION WAS AS MUCH AS \$500 MILLION, BUT MORE CREDIBLE FIGURE WAS \$100 MILLION. ERCOLANI NOTED THAT, WHILE INTERVENTION BY NEW YORK FED WOULD NOT IMMEDIATELY ABSORB PART OF DOLLAR OVERHANG, ACCUMULATION OF DM'S BY FED COULD LATER BE USED FOR THIS PURPOSE.

5. AVERAGE COMMERCIAL LIRA RATE ON JANUARY 9 WAS 629.875 LIRE PER DOLLAR. AVERAGE FINANCIAL RATE WAS 636.30 LIRE PER DOLLAR. EFFECT LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 ROME 00358 101330Z

OF CIRCULAR CAPITAL MOVEMENT OUT OF ITALY AND BACK IN AGAIN AT END YEAR IN ANTICIPATION OF TAX REFORM (REFTL) WHICH BRIEFLY CAUSED FINANCIAL LIRA TO BE MORE APPRECIATED THAN COMMERCIAL LIRA SEEMS TO HAVE TERMINATED AND SPREAD RESTORED BETWEEN TWO EXCHANGE RATES. FORWARD RATE FOR FINANCIAL LIRA AT 90 DAYS WAS 645.80 LIRE PER DOLLAR ON JANUARY 9. VOLPE

LIMITED OFFICIAL USE

NNN

## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** FOREIGN EXCHANGE RATES, GOVERNMENT DEBTS, FINANCIAL DATA  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 10 JAN 1974  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** garlanwa  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1974ROME00358  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
**Film Number:** n/a  
**From:** ROME  
**Handling Restrictions:** n/a  
**Image Path:**  
**ISecure:** 1  
**Legacy Key:** link1974/newtext/t19740150/aaaabvmw.tel  
**Line Count:** 113  
**Locator:** TEXT ON-LINE  
**Office:** ACTION EB  
**Original Classification:** LIMITED OFFICIAL USE  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 3  
**Previous Channel Indicators:**  
**Previous Classification:** LIMITED OFFICIAL USE  
**Previous Handling Restrictions:** n/a  
**Reference:** ROME 14183  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** garlanwa  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 02 APR 2002  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <02 APR 2002 by kellew0>; APPROVED <14 MAY 2002 by garlanwa>  
**Review Markings:**

Declassified/Released  
US Department of State  
EO Systematic Review  
30 JUN 2005

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** ITALIAN EXCHANGE MARKET DEVELOPMENTS  
**TAGS:** EFIN, IT  
**To:** STATE  
**Type:** TE  
**Markings:** Declassified/Released US Department of State EO Systematic Review 30 JUN 2005